

COMPARABLE COMPANIES ANALYSIS

The most comparable publicly-traded managed care companies are highlighted below.

ANALYSIS OF SELECTED MANAGED CARE COMPANIES

(Dollars in millions, except per share data)

Company	Price	% of 52	Equity	Enterprise	P/E Ratio		Long-Term	LTM EBITDA	
	04/20/01	Wk High	Value	Value	2001 PE	2002 PE			2002 PEG
Large Cap Managed Care Companies									
CIGNA Corporation	\$100.90	73.8%	\$ 15,666	\$ 16,975	13.3x	11.9x	85.2%	13.9%	9.5%
Health Net, Inc.	19.40	72.0%	2,446	3,213	12.3x	10.6x	86.3%	12.3%	5.0%
Humana, Inc.	9.05	57.2%	1,535	2,135	13.2x	10.4x	78.3%	13.3%	2.8%
Mid Atlantic Medical Services Inc.	19.00	86.9%	783	786	15.9x	13.6x	93.8%	14.5%	4.6%
Oxford Health Plans, Inc.	26.12	61.1%	2,689	2,870	10.0x	8.6x	53.8%	16.0%	11.0%
UnitedHealth Group	60.21	93.6%	20,863	22,072	23.8x	20.7x	120.0%	17.2%	6.9%
Large Cap Managed Care Mean					14.8x	12.6x	86.2%	14.5%	6.6%
Blues									
RightChoice Managed Care, Inc.	\$37.75	88.7%	\$ 735	\$ 765	15.2x	13.0x	91.0%	14.3%	8.5%
Trigon Healthcare Inc.	51.55	63.3%	1,984	2,272	13.5x	11.7x	68.8%	17.0%	8.5%
WellPoint Health Networks, Inc.	88.44	72.8%	5,707	6,708	14.6x	12.7x	84.0%	15.1%	6.6%
Blues Mean					14.4x	12.4x	81.2%	15.4%	7.9%
Overall Mean					14.6x	12.6x	84.6%	14.8%	7.0%

Note: Source for EPS estimates and long-term EPS growth rates is First Call.

(1) LTM as of 12/31/00.

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VALUATION BASED ON PUBLIC COMPARABLE COMPANIES

As part of our valuation analysis, CSFB imputed a range of values for Chesapeake based on a multiple reference range derived from comparable publicly-traded large capitalization managed care and Blue Cross Blue Shield Companies.

(\$ in millions)	Chesapeake Data	CSFB Reference Range			Implied Chesapeake Equity Value ⁽³⁾		
		Low		High	Low		High
Equity Value / :							
2001E Net Income (1) (2)	\$71.6	12.5x	—	14.5x	\$979	—	\$1,123
2002E Net Income (1) (2)	89.3	10.5	—	12.5	\$1,022	—	\$1,201

(1) Assumes a 38.0% effective tax rate.

(2) Source: Company management.

(3) Implied equity value includes a \$327.8 million projected NOL estimated to be worth between \$82.1 million and \$86.3 million on a PV basis. Analysis assumes mid-point of range.

COMPARABLE M&A TRANSACTIONS ANALYSIS OVERVIEW

Methodology	▶ To determine the value of Chesapeake using the multiples derived from comparable M&A transactions
Transaction Selection	▶ CSFB considered selected data from eight comparable M&A transactions completed since January 1, 1997
Issues	<ul style="list-style-type: none">▶ Only one relevant transaction, the acquisition of Cerulean Companies by WellPoint Health Networks▶ Few transactions in the past several years▶ Several transactions involved acquisitions of financially distressed private companies
Summary Conclusion	▶ CSFB believes that an approximate reference range for Chesapeake's equity value is between \$1.280 billion and \$1.450 billion

COMPARABLE M&A TRANSACTION VALUATION RANGES

(\$ in millions)	Chesapeake Data (1)	WellPoint / Cerulean Transaction Multiples	Implied Chesapeake Equity Value (2)
Enterprise Value /:			
LTM EBITDA	\$136.2	10.0x	\$1,422
LTM EBIT	100.5	12.1	1,277
Equity Value /:			
LTM Net Income (3)	\$92.1	14.8x	\$1,449

(1) Source: Company audited financial statements dated 12/31/00.

(2) Implied equity value includes a \$327.3 million projected NOL estimated to be worth between \$80.5 million and \$84.8 million on a PV basis. Analysis assumes mid-point of range.

(3) Assumes 20.0% effective tax rate (AMT rate) and excludes non-recurring charges and discontinued operations.

COMPARABLE M&A TRANSACTION ANALYSIS

ANALYSIS OF SELECTED HMO / Managed Care M&A TRANSACTIONS

(Dollars in millions)

Acquiror / Target	Date Announced	Enterprise Pur. Price	Enterprise Purchase Price /:		Equity Pur. Price /:
			EBITDA	EBIT	LTM NI
Wellpoint Health Networks Inc. / Cerulean Companies, Inc.	11/29/00	\$700	10.0x	12.1x	14.8x
BCBS Texas / Texas NYLCare	9/14/99	\$500	NA	NA	NA
Aetna, Inc. / Prudential HealthCare	12/10/98	\$1,000	NA	NA	NA
Aetna, Inc. / NYLCare	3/16/98	\$1,050	NA	NA	NM
Coventry Health / Principal Health Care	11/4/97	\$375	NA	NA	NA
Humana, Inc. / Physician Corporation of America	6/3/97	\$404	NM	NM	NM
Foundation Health Systems, Inc. / Physicians Health Services, Inc.	5/8/97	\$279	NM	NM	NM
Cigna Corporation / Healthsource, Inc.	2/28/97	\$1,652	16.5x	26.9x	46.3x

DISCOUNTED CASH FLOW ANALYSIS OVERVIEW

Discounted cash flow analysis is dependent on several key assumptions.

Methodology	<p>► To determine the present value of the projected after-tax free cash flows of Chesapeake utilizing a forward P/E exit multiple to calculate terminal value and a range of discount rates plus the present value of the projected tax benefit of the Chesapeake net operating losses</p>		
Variables	VARIABLE	SELECTED RANGES	BASIS
	I. Forward P/E Multiple (2006)	▲ 12.5x - 14.5x	▲ Public Company Analysis
	II. Discount Rate Range	▲ 13% - 16%	▲ WACC Analysis
Comments	<p>► Source of projections: Chesapeake management</p>		
Issues	<p>► This valuation is before one takes into account the cost and risk associated with the disparate regulatory approval processes</p>		
Summary Conclusion	<p>► Based on this analysis, the implied equity value of Chesapeake is between \$1.260 billion and \$1.550 billion</p>		

DISCOUNTED CASH FLOW ANALYSIS

	Projected Fiscal Years Ending December 31,						5-year CAGR
	2001	2002	2003	2004	2005	2006	
Total Revenues (1)	\$4,032.6	\$4,422.7	\$4,864.0	\$5,349.6	\$5,883.5	\$6,471.6	9.9%
Growth	--	9.7%	10.0%	10.0%	10.0%	10.0%	
Net Income (2)	\$71.6	\$89.3	\$102.7	\$118.1	\$135.9	\$156.3	16.9%
Growth	--	24.8%	15.0%	15.0%	15.0%	15.0%	
Margin	1.8%	2.0%	2.1%	2.2%	2.3%	2.4%	
Adjusted Net Income	\$71.6	\$86.7	\$96.8	\$108.7	\$122.4	\$138.3	14.1%
Growth	--	21.0%	11.7%	12.2%	12.6%	13.0%	
Margin	1.8%	2.0%	2.0%	2.0%	2.1%	2.1%	
Free Cash Flow	\$71.6	\$86.7	\$96.8	\$108.7	\$122.4	\$138.3	
Period	0.75	1.75	2.75	3.75	4.75		
Discount Factor	0.9064	0.7951	0.6974	0.6118	0.5367		
Present Value of Future Free Cash Flows	\$64.9	\$68.9	\$67.5	\$66.5	\$65.7		
	\$333.5						

(1) Excludes investment income.

(2) Assumes 38.0% effective tax rate and no NOL benefits. NOL benefits are included in the Adjusted Equity Value below.

(3) Free Cash Flow is defined as the lesser of the adjusted net income and the excess surplus. Excess surplus is defined as total reserves plus adjusted net income less required statutory surplus (10.0% of premiums earned).

Forward P/E Multiple Terminal Value

2006 Adj. Net Income	\$138.3
Terminal Value Forward Net Income Multiple	13.5x
Terminal Equity Value	\$1,866.4
Discount Rate	14.0%
Discount Factor	0.5367
Present Value of Terminal Equity Value	\$1,001.6
Present Value of Future Free Cash Flows	333.5
Equity Value	\$1,335.1
Plus: NOL at midpoint	84.2
Adjusted Equity Value	1,419.3

Sensitivity Analysis

Discount Rate		Forward Net Income Multiple		
		12.5x	13.5x	14.5x
13.0%		\$1,393	\$1,470	\$1,548
14.0%		1,345	1,419	1,494
15.0%		1,300	1,371	1,442
16.0%		1,256	1,324	1,393